

Testimony of
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On behalf of
The Independent Petroleum Association of Mountain States

Before the
House of Representatives
Government Reform Subcommittee
on Energy & Resources

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Mr. Chairman and members of the subcommittee, my name is Logan Magruder and I am the President of the Independent Petroleum Association of Mountain States (IPAMS), and I am a Senior Vice President with Berry Petroleum Company. I want to thank this subcommittee for holding a hearing on “Meeting America’s Natural Gas Demand” and the vital role that public lands offer in satisfying the nation’s present and future energy needs.

Hurricane Katrina disrupted natural gas production from the Gulf of Mexico and exposed the dangers of the supply and demand imbalance. The irony is that while consumers are paying record energy prices, vast federal supplies of natural gas lie idle within non-park and non-wilderness areas of the Intermountain West. Federal natural gas supplies that could be produced to lower consumers’ natural gas costs are instead constrained by a regulatory process that is prone to unnecessarily long delays and uncertainty. This artificial constraint - what I refer to as the “NEPA Control Valve” - limits additional natural gas production desperately needed to meet consumer demand.

The Federal Government is the single largest contributor of natural gas in our nation’s economy; yet, federal policies and procedures for developing our nation’s energy supplies have become outdated and are in need of an overhaul. Natural gas demand and the oil and gas industry’s ability to satisfy demand have outgrown and outpaced the government’s burdensome regulatory procedures. Improvements in the federal regulatory process are needed today to remove artificial constraints and allow orderly development of the public’s natural gas.

The contribution of federal natural gas resources to the nation’s economy is substantial. In 2004, the Intermountain West provided 22% of the Nation’s natural gas.¹

The Energy Information Administration predicts natural gas production in the Intermountain West will increase 26% by 2025.² With nearly 201 trillion cubic feet of natural gas beneath onshore federal lands, the Federal Government could provide significant near-term production increases.³ Achieving this goal requires a comprehensive effort by Federal Agencies to promote natural gas development without sacrificing the intent of National Environmental Policy Act (NEPA). Eliminating delays within the regulatory system won't reduce environmental protections, but it will help deliver more natural gas to the 62 million households that rely on natural gas. It makes sense that natural gas resources owned by the American public should be developed to benefit the American public.

In order to help consumers, the Federal Government must increase production on public lands. This requires changing regulatory processes that only delay the delivery of natural gas to consumers. In theory, laws such as NEPA are the cornerstone of environmental protection. In practice, they have become long drawn out processes that nearly always end up paralyzed by special interest litigation focused on procedure. The NEPA process makes every agency decision vulnerable to legal challenges. The final result yields few environmental benefits but, instead, increases the cost of doing business with the federal government – a cost that is ultimately paid by consumers.

Conflict over natural gas development on non-park and non-wilderness federal lands limits public natural gas supplies from reaching consumers. Protests of oil and gas lease sales increased 600% during the first four years of this administration when compared with the last four years of the Clinton Administration.⁴ Lease appeals have also increased 250% during the same time period.⁵ My company has direct experience

with frivolous delays that tied up capital that otherwise could have been invested in the ground to produce more natural gas. This litigious landscape delays new supplies of natural gas from reaching consumers and yields little environmental benefits.

Congress has the power to address the problems with NEPA. Congress can help ensure the public's natural gas resources benefit the nation. Reducing the ability of special interest groups to challenge NEPA decisions would free up land management resources for helping the environment. Agencies should be required to include a proper, socioeconomic analysis as part of the NEPA process which clearly defines how agency land use decisions impact natural gas consumers. Congress should categorically exclude more activities from the scope of NEPA analyses. Section 390 of the Energy Policy Act of 2005, started down this path by creating a regulatory incentive for producers whose operations create fewer impacts on the environment.

Today, oil and gas activities occupy less than 1% of the surface lands managed by the Bureau of Land Management (BLM).⁶ The industry does its best to comply with the system in place, but the system needs comprehensive and immediate change. While the Energy Policy Act of 2005 will yield results in the coming years, the opportunity to influence today's natural gas prices passed us years ago.

Hurricane Katrina has tragically demonstrated that small supply disruptions have very real consequences on energy prices. The arrival of more significant LNG supplies on our coastlines in 2009 or 2010 will offer a longer term solution to the current situation; but the question is "what can be done immediately to influence supply and demand pressures?" The Intermountain West offers a near-term and a long-term solution for the supply-side of the equation with enough natural gas resources to supply all of America's

household needs for 60 years.⁷ Many development projects within the Intermountain West are poised to yield greater production if the Federal Government could provide greater flexibility in access and permitting. If Congress will fix the “NEPA Control Valve,” these supplies can be developed in a sustainable manner. The delays and uncertainty surrounding NEPA analysis on federal land must be addressed.

In closing, let me remind this committee that high natural gas prices are not the result of a cartel refusing to produce more natural gas. They are the direct result of a continuous neglect of the regulatory process that governs oil and natural gas development on federal lands. The Federal Government, as owner of the largest reserves of natural gas, has the responsibility to ensure that adequate supplies of this domestic resource - owned by Americans, produced by Americans, and consumed by Americans – is developed for the benefit of the public. Thank you for the opportunity to testify and I look forward to answering any questions you have.

¹ Source: America’s Energy for America’s Future, The Department of the Interior

² Source: Energy Information Administration

³ Source: America’s Energy for America’s Future, The Department of the Interior

⁴ Source: Bureau of Land Management

⁵ Source: Bureau of Land Management

⁶ Source: Bureau of Land Management

⁷ Source: Energy Information Administration